

**Legal Services of North Louisiana, Inc.
Shreveport, Louisiana**

**Financial Statements
As of and for the Year Ended December 31, 2010
With Comparative Totals for 2009 and
Supplemental Information Schedules
LSC Grant Recipient Number 619061**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9/14/11

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana

Table of Contents

	<u>Page No.</u>
Independent Auditors' Report	1 – 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 12
Supplemental Information Schedules Prepared For Grants and Contract Analysis	
Legal Services Corporation – Grant Recipient Number 619061 For the Contract Period: January 1, 2010 to December 31, 2010	14
Interest on Lawyers Trust Accounts (IOLTA) – Grant Number 2010-003 & 2010-038 For the Contract Period: January 1, 2010 to December 31, 2010	15
Schedule of Expenditures of Federal Awards	16
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	17 – 18
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	19 – 20
Summary Schedule of Prior Audit Findings	21
Schedule of Findings and Questioned Costs	22 – 23
Schedule of Prior Audit Findings for Louisiana Legislative Auditor	24
Schedule of Current Audit Findings for Louisiana Legislative Auditor	24

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Independent Auditors' Report

To the Board of Directors
Legal Services of North Louisiana, Inc.
Shreveport, Louisiana

We have audited the accompanying statement of financial position of Legal Services of North Louisiana, Inc. (a nonprofit organization) as of December 31, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Legal Services of North Louisiana, Inc., as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2011, on our consideration of Legal Services of North Louisiana, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Legal Services of North Louisiana, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying supplemental schedules, listed as "Supplemental Information Schedules For Grants and Contract Analysis" in the table of contents and shown on pages 14 – 15, are presented for the purpose of providing the various funding sources of Legal Services of North Louisiana, Inc. additional individual grant and contract analysis and are not a required part of the financial statements. The information is prepared on a prescribed basis of the funding sources of Legal Services of North Louisiana, Inc. The schedules are not presented in accordance with generally accepted accounting principles. Accordingly, the schedules mentioned previously and shown on pages 14 – 15 are not intended to present financial position and results of operations in conformity with generally accepted accounting principles. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and in our opinion they are fairly stated on the basis of accounting practices prescribed by the funding sources.

Cook + Morehart

Cook and Morehart
Certified Public Accountants
April 27, 2011

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana
Statement of Financial Position
December 31, 2010, with Comparative Totals for 2009

	<u>2010</u>	<u>2009</u>
Assets		
Current Assets		
Cash	\$ 205,743	\$ 262,839
Client escrow funds	12,585	11,771
Investments	101,006	196,707
Grants receivable	127,288	22,988
Accounts receivable	<u>762</u>	<u>2,460</u>
Total current assets	<u>447,384</u>	<u>496,765</u>
Property and equipment	1,576,761	1,494,942
Accumulated depreciation	<u>(1,067,601)</u>	<u>(1,001,376)</u>
Net property and equipment	<u>509,160</u>	<u>493,566</u>
Deposits	<u>1,715</u>	<u>1,715</u>
Total assets	<u><u>\$ 958,259</u></u>	<u><u>\$ 992,046</u></u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 72,381	\$ 51,847
Accrued liabilities	91,918	70,824
Current portion of long-term debt		8,256
Refundable advances	34,935	124,017
Client trust deposits	<u>12,585</u>	<u>11,771</u>
Total current liabilities	<u>211,819</u>	<u>266,715</u>
Net assets		
Unrestricted	66,544	64,829
Temporarily restricted		
Legal services corporation-grant	511,190	543,879
Non-LSC	<u>168,706</u>	<u>116,523</u>
Total temporarily restricted	<u>679,896</u>	<u>660,402</u>
Total net assets	<u>748,440</u>	<u>725,331</u>
Total liabilities and net assets	<u><u>\$ 958,259</u></u>	<u><u>\$ 992,046</u></u>

The accompanying notes are an integral part of the financial statements.

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana
Statement of Activities

For the Year Ended December 31, 2010, with Comparative Totals for 2009

	Unrestricted	Temporarily Restricted		2010 Total	2009 Total
		LSC	Non-LSC		
Revenue and support:					
Grants and Contracts	\$	\$ 2,168,346	\$ 834,215	\$ 3,002,561	\$ 2,684,718
Interest Income		4,843		4,843	7,063
Other	95,764	61,735		61,735	198,591
Net assets released from restrictions:					
Satisfaction of program restrictions	3,049,645	(2,267,613)	(782,032)	(3,049,645)	
Total revenues and other support	3,145,409	(32,689)	52,183	3,164,903	2,890,372
Expenses:					
Program Services	2,682,002			2,682,002	2,414,409
Management and General	461,792			461,792	480,640
Total expenses	3,143,794			3,143,794	2,895,049
Change in net assets	1,615	(32,689)	52,183	21,109	(4,677)
Net assets at beginning of year	64,929	543,879	116,523	725,331	730,008
Net assets at end of year	\$ 66,544	\$ 511,190	\$ 168,706	\$ 746,440	\$ 725,331

The accompanying notes are an integral part of the financial statements.

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana
Statement of Functional Expenses
For the Year Ended December 31, 2010, with Comparative Totals for 2009

	Program	Management & General	2010 Total	2009 Total
Personnel Expenses				
Lawyers	\$ 900,524	\$ 99,280	\$ 999,804	\$ 940,672
Paralegals	142,681		142,681	114,869
Other	488,780	164,484	653,264	618,030
Employee Benefits	485,938	80,233	546,171	505,118
Total Personnel Expenses	<u>1,997,923</u>	<u>343,997</u>	<u>2,341,920</u>	<u>2,178,689</u>
Other Expenses				
Space and Occupancy	54,127	9,321	63,448	53,189
Equipment Rental	13,413	2,310	15,723	15,686
Office Supplies and Expenses	70,765	12,185	82,950	84,010
Telephone	51,995	8,953	60,948	50,235
Travel	46,722	8,045	54,767	20,897
Training	64,354	11,082	75,436	76,263
Library	48,989	8,436	57,425	44,907
Insurance	36,625	6,307	42,932	43,193
Dues and Fees	16,377	2,820	19,197	22,074
Interest	841	145	986	2,186
Litigation	33,622	5,789	39,411	12,763
Contract Services to Clients	88,003	15,154	103,157	104,014
Depreciation	56,496	9,728	66,224	68,070
Other	101,749	17,521	119,270	118,873
Total Other Expenses	<u>684,079</u>	<u>117,795</u>	<u>801,874</u>	<u>716,360</u>
TOTAL EXPENSES	<u>\$ 2,682,002</u>	<u>\$ 461,792</u>	<u>\$ 3,143,794</u>	<u>\$ 2,895,049</u>

The accompanying notes are an integral part of the financial statements.

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana
Statement of Cash Flows
For the Year Ended December 31, 2010, with Comparative Totals for 2009

	<u>2010</u>	<u>2009</u>
Operating Activities:		
Change in net assets	\$ 21,109	\$ (4,677)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	66,224	66,070
Loss on disposal		
(Increase) decrease in:		
Client escrow funds	(814)	(1,968)
Grants receivable	(104,300)	(10,515)
Accounts receivable	1,698	112
Increase (decrease) in:		
Accounts payable	20,534	(3,101)
Accrued expenses	21,094	(33,998)
Client trust deposits	814	1,968
Deferred revenue	<u>(89,082)</u>	<u>(85,701)</u>
Net cash provided by operating activities	<u>(62,723)</u>	<u>(69,810)</u>
Investing Activities:		
Cash payments for purchase of investments		(1,036)
Proceeds from sale of investments	95,701	
Purchase of property and equipment	<u>(81,818)</u>	<u>(106,455)</u>
Net cash (used) by investing activities	<u>13,883</u>	<u>(107,491)</u>
Financing Activities:		
Payments of long-term debt	<u>(8,256)</u>	<u>(17,889)</u>
Net cash (used) by financing activities	<u>(8,256)</u>	<u>(17,889)</u>
Net increase (decrease) in cash	(57,096)	(195,190)
Cash as of beginning of year	<u>262,839</u>	<u>458,029</u>
Cash as of end of year	<u>\$ 205,743</u>	<u>\$ 262,839</u>

Supplemental disclosure:

Cash paid for interest in 2010 and 2009 was \$986 and \$1,497, respectively.

The accompanying notes are an integral part of the financial statements.

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2010, with Comparative Totals for 2009

(1) Summary of Significant Accounting Policies

Legal Services of North Louisiana, Inc. (LSNL) is a private nonprofit corporation incorporated under the laws of the State of Louisiana and is governed by a Board of Directors composed of 15 members.

A. Nature of Activities

LSNL administered various federal, state, and miscellaneous grants during the year ended December 31, 2010. The grants are designed to provide eligible individuals with free legal services. The following programs, with their approximate percentage of total revenues indicated, are administered by LSNL:

Legal Services Corporation (LSC) – 70%
Interest on Lawyers' Trust Accounts (IOLTA) – 10%
United Way – .50%
Local Councils on Aging – 1.5%
Regional HUD Housing Foreclosure – 1%
Regional HUD Housing Counseling – 1%
Children In Need of Care – 11.50%
Other – 4.50%

B. Basis of Accounting

The financial statements of LSNL have been prepared on the accrual basis of accounting.

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

D. Income Tax Status

LSNL is a nonprofit corporation and is exempt from state and federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. However, income from activities not directly related to LSNL's tax-exempt purpose is subject to taxation as unrelated business income. LSNL had no such income for this audit period.

E. Property and Equipment

It is the policy of the agency to capitalize all fixed assets with a unit cost of \$1,000 or more. All fixed assets are valued at historical cost. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The Federal Government has a reversionary interest in property purchased with federal funds. Its disposition as well as the ownership of any proceeds therefrom is subject to federal regulations.

F. Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending of the existence and/or nature of any donor restrictions.

(Continued)

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2010, with Comparative Totals for 2009
(Continued)

Federal and state grant revenue and all other donor-restricted support are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

G. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

H. Compensated Absences – Accrued Leave

Employees of LSNL accrue leave at a rate based upon their length of service. Employees may not carry forward leave in excess of 75 hours from one year to the next. Employees leaving employment whether voluntarily or involuntary will be paid for all accrued annual leave. Employees may also accrue health leave, but accumulated health leave is forfeited upon separation of employment.

At December 31, 2010, the approximate amount of accumulated and vested employee leave benefits accrued was \$45,208.

I. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, LSNL considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

J. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among program and management and general services.

K. Reclassifications

The following amounts have been reclassified from temporarily restricted net assets to unrestricted net assets by expending funds which satisfied the restricted purposes specified by the donors:

LSC	\$ 2,267,614
United Way	17,218
Councils on Aging	52,153
IOLTA	293,119
Children in Need of Care	355,524
Other	15,216
HUD – Foreclosure	15,318
HUD - Counseling	33,483
Total	<u>\$ 3,049,645</u>

(Continued)

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2010, with Comparative Totals for 2009
(Continued)

L. Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

M. Donated Services

Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by LSNL. Included in other revenue and contract services to clients in the accompanying financial statements is \$64,991 of donated services from attorneys.

(2) Concentrations of Credit Risk

Financial instruments that potentially subject LSNL to concentrations of credit risk consist principally of temporary cash investments and grants receivable. Concentrations of credit risk with respect to grants receivable are limited due to the majority of these amounts being due from governmental agencies under contractual terms. As of December 31, 2010, LSNL had no significant concentrations of credit risk in relation to grants receivable. LSNL maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2010, total cash balances held at the financial institutions were \$358,616. This entire amount was secured by FDIC.

(3) Investments

Investments included in the accompanying financial statements at December 31, 2010, consist of a certificate of deposit totaling \$101,006. The certificate bears interest at .70% and has an original maturity of one year.

(4) Property and Equipment

Property and equipment at December 31, 2010 consisted of the following:

	Estimated Depreciable Life	Purchased With LSC Funds	Purchased With Non-LSC Funds	Total
Land	20-30 years	\$ 137,100	\$ -	\$ 137,100
Buildings	20-30 years	461,588	-	461,588
Building Improvements	20-30 years	26,889	152,732	179,621
Furniture, Fixtures, and Equipment	5-10 years	665,383	64,390	729,773
Law Library	5 years	66,635	2,044	68,679
Accumulated depreciation		(989,831)	(77,770)	(1,067,601)
Net investment in property and equipment		\$ 367,764	\$ 141,396	\$ 509,160

Depreciation expense for the year ended December 31, 2010 was \$66,224.

(Continued)

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2010, with Comparative Totals for 2009
(Continued)

(5) **Accrued Liabilities**

An analysis of LSNL's accrued liabilities at December 31, 2010 is as follows:

Payroll taxes	\$ 16,736
Accrued payroll	15,038
Pension payable	14,936
Accrued leave	45,208
Total	<u>\$ 91,918</u>

(6) **Leases**

LSNL leases postage machines, a security system, and copiers under operating leases. The rental costs on the equipment paid during the year ended December 31, 2010 were \$15,126.

Commitments under lease agreements having initial or remaining non-cancelable terms in excess of one year are as follows:

For the Year Ending December 31,	
2011	\$ 4,152
2012	4,152
2013	3,348
2014	468
Total minimum future rentals	<u>\$ 12,120</u>

(7) **Temporarily Restricted Net Assets**

Temporarily restricted net assets at December 31, 2010 were available for the following purposes:

LSC Grant – Operating	\$ 143,331
LSC – Property	367,858
Non-LSC Property	141,478
Miscellaneous Grants	27,229
	<u>\$ 679,896</u>

(8) **Refundable Advances**

LSNL records funds received in excess of expenditures as a refundable advance until they are expended for the purpose of the contract or until the funds are returned to the appropriate funding source.

(9) **Contractual Revenue – Grants**

During the year ended December 31, 2010, LSNL received contractual revenue from federal, state, and miscellaneous grants in the amount of \$3,002,561. The continued existence of these funds is based on annual contract renewals with various funding sources.

(Continued)

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2010 with Comparative Totals for 2009
(Continued)

(10) Client Trust Funds

Client trust funds are funds received by LSNL from or on behalf of a client. A separate escrow bank account is maintained, as well as separate client trust records for each client. Client trust funds are not the property of LSNL, and, as a result, are reported as both an asset and a liability in the Statement of Financial Position.

(11) Private Attorney Involvement

The following details the private attorney involvement (PAI) activity for the year ended December 31, 2010:

	LSC	Other	Total
Lawyers	\$ 30,951	\$ -	\$ 30,951
Paralegals	34,863	19,000	53,863
Other	47,273	-	47,273
Employee Benefits	41,006	-	41,006
Space and occupancy	4,435	-	4,435
Equipment rental	1,305	-	1,305
Office supplies and expenses	5,737	-	5,737
Telephone	4,905	-	4,905
Travel	4,314	-	4,314
Training	8,576	1,025	9,601
Library	4,464	-	4,464
Insurance	3,435	-	3,435
Dues & fees	1,531	-	1,531
Litigation	5,336	-	5,336
Contract services to clients	34,910	-	34,910
Other	12,145	-	8,705
Total	<u>\$ 245,186</u>	<u>\$ 20,025</u>	<u>\$ 265,211</u>

The PAI requirement for LSNL for 2010 was revised as a result of a waiver, as follows:

PAI requirement for 2010	\$ 271,043
Plus shortfall 2009	4,611
Less waiver 2010	<u>(9,266)</u>
Adjusted PAI requirement 2010	<u>\$ 266,388</u>

(12) Retirement Plan

LSNL has adopted a 403(b) Thrift Plan for its employees. LSNL contributes 5% of eligible employees' annual compensation to the plan. Total employer contributions for the year ended December 31, 2010, were \$72,509.

(Continued)

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2010, with Comparative Totals for 2009
(Continued)

(13) Buildings – Property Costs

The following details costs directly related to the purchase and/or maintenance of property paid out of LSC funds:

	<u>Central Office Building</u>	<u>Monroe Building</u>	<u>Natchitoches Building</u>	<u>Total</u>
Derivative income	\$ -	\$ -	\$ -	\$ -
Paid in principal	-	-	-	-
Interest expense	-	-	-	-
Building maintenance	11,297	11,009	4,987	27,293
Insurance	6,069	1,592	1,321	8,982
Taxes	-	-	-	-
Improvements	-	-	-	-
	<u>\$ 17,366</u>	<u>\$ 12,601</u>	<u>\$ 6,308</u>	<u>\$ 36,275</u>

(14) Subsequent Events

Subsequent events have been evaluated through April 27, 2011, the date the financial statements were available to be issued.

**Supplemental Information Schedules Prepared
For Grants and Contracts Analysis**

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana
Schedule of Support, Revenue, and Expenses and Changes in Net Assets for LSC Funds
For the Year Ended December 31, 2010, with Comparative Totals for 2009

	Basic Field Grant	Private Attorney Involvement	Total	Property	2010 Grand Total	2009 Grand Total
Support and Revenue						
Grants and Contracts	\$ 1,923,159	\$ 245,187	\$ 2,168,346	\$	\$ 2,168,346	\$ 2,008,214
Interest Income	4,843		4,843		4,843	7,063
Other - donated services	26,825	34,910	61,735		61,735	64,995
Total	1,954,827	280,097	2,234,924		2,234,924	2,080,272
Personnel Expenses						
Lawyers	539,157	30,951	570,108		570,108	535,345
Paralegals	75,255	34,863	110,118		110,118	69,177
Other	532,484	47,273	579,737		579,737	563,628
Employee Benefits	374,120	41,006	415,126		415,126	381,971
Total	1,520,996	154,093	1,675,089		1,675,089	1,560,121
Other Expenses						
Space and Occupancy	46,897	4,435	51,332		51,332	51,976
Equipment Rental	14,418	1,305	15,723		15,723	15,686
Office Supplies and Expenses	54,545	5,737	60,282		60,282	71,912
Telephone	45,843	4,905	50,748		50,748	48,835
Travel	16,393	4,314	20,707		20,707	20,897
Training	35,437	8,576	44,013		44,013	56,035
Library	48,755	4,464	53,219		53,219	44,457
Insurance	34,490	3,435	37,925		37,925	39,443
Dues and fees	4,374	1,531	5,905		5,905	5,703
Litigation	7,785	5,336	13,121		13,121	12,536
Contract Services to Clients	26,825	69,820	96,645		96,645	104,014
Other	84,395	8,692	93,087		93,087	91,440
Interest expense	973	13	986		986	1,918
Depreciation				48,831	48,831	57,731
Total	421,130	122,563	543,693	48,831	592,524	622,561
Total Expenses	1,942,126	276,656	2,218,782	48,831	2,267,613	2,172,702
Support and Revenue Over (Under)						
Expenses and losses	12,701	3,441	16,142	(48,831)	(32,689)	(92,430)
Other Changes in Net Assets:						
Note Payments	(7,618)	(638)	(8,256)	8,256		
Acquisition of property	(16,063)	(2,803)	(18,866)	18,866		
Total Other Changes	(23,681)	(3,441)	(27,122)	27,122		
Total Changes in Net Assets	(10,980)		(10,980)	(21,709)	(32,689)	(92,430)
Net Assets at beginning of year	154,312		154,312	389,557	543,879	636,309
Net Assets at end of year	\$ 143,332	\$	\$ 143,332	\$367,858	\$ 511,190	\$ 543,879

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana
Schedule of Interest on Lawyers Trust Accounts (IOLTA) Grant Activity
Grant No. 2010-003 and 2010-038
For the Year Ended December 31, 2010, with Comparative Totals for 2009

	<u>2010</u>	<u>2009</u>
Revenue Received - IOLTA Grant	<u>\$ 318,119</u>	<u>\$ 456,718</u>
Personnel Expenses		
Lawyers	177,466	281,591
Paralegals	19,000	26,594
Other	24,605	48,829
Employee Benefits	58,361	63,804
Total Personnel Expenses	<u>279,432</u>	<u>420,818</u>
Other Expenses		
Space and occupancy	5,000	
Office supplies	8,000	7,300
Telephone	5,000	200
Training	6,432	7,132
Insurance	3,600	3,000
Dues and fees	7,655	9,865
Access to Justice		6,003
Audit expense	3,000	2,400
Total Other Expenses	<u>38,687</u>	<u>35,900</u>
Total Expenses	<u>318,119</u>	<u>456,718</u>
Excess (Deficit)	<u>\$</u>	<u>\$</u>

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2010

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>Legal Service Corporation</u>		
<u>Direct Programs</u>		
Basic Field Grant	09.619061	\$ 2,184,171
<u>Department of Housing and Urban Development</u>		
Passed through West Tennessee Legal Services, Inc.		
National Foreclosure Mitigation Counseling Program Grant	14.169	15,318
Regional HUD Housing Counseling Grant	14.169	33,483
Total Department of Housing and Urban Development		<u>48,801</u>
 Total federal expenditures		 <u>\$ 2,232,972</u>

NOTE: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

COOK & MOREHART

Certified Public Accountants

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Board of Directors
Legal Services of North Louisiana, Inc.
Shreveport, Louisiana

We have audited the financial statements of Legal Services of North Louisiana, Inc. (a nonprofit organization) as of and for the year ended December 31, 2010, and have issued our report thereon dated April 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Legal Services of North Louisiana, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Legal Services of North Louisiana, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Legal Services of North Louisiana, Inc.'s internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Legal Services of North Louisiana, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The

results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Cook & Morehart".

Cook & Morehart
Certified Public Accountants
April 27, 2011

COOK & MOREHART

Certified Public Accountants

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**Independent Auditor's Report on Compliance with Requirements That Could
Have A Direct and Material Effect On Each Major Program and on Internal
Control Over Compliance in Accordance With OMB Circular A-133**

To the Board of Directors
Legal Services of North Louisiana, Inc.
Shreveport, Louisiana

Compliance

We have audited Legal Services of North Louisiana, Inc.'s compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Legal Services of North Louisiana, Inc.'s major federal programs for the year ended December 31, 2010. Legal Services of North Louisiana, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Legal Services of North Louisiana, Inc.'s management. Our responsibility is to express an opinion on Legal Services of North Louisiana, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Legal Services of North Louisiana, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Legal Services of North Louisiana, Inc.'s compliance with those requirements.

As described in item 2010-C1 in the accompanying schedule of findings and questioned costs, Legal Services of North Louisiana, Inc. did not comply with the requirements regarding equipment that are applicable to its Legal Services Corporation grant. Compliance with such requirements is necessary, in our opinion, for Legal Services of North Louisiana, Inc. to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Legal Services of North Louisiana, Inc. complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

Management of Legal Services of North Louisiana, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Legal Services of North Louisiana, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness Legal Services of North Louisiana, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Legal Services of North Louisiana, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Legal Services of North Louisiana, Inc.'s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Cook & Morehart
Certified Public Accountants
April 27, 2011

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana
Summary Schedule of Prior Audit Findings
December 31, 2010

LEGAL SERVICES CORPORATION – CFDA # 09.619061

2009-C1 SIGNIFICANT DEFICIENCY

Statement of Condition: During our audit, we noted that most of the agency's employees enter their time worked into a software program by project / funding source. For transactions selected for testing, the allocation of time to the various projects / funding sources entered into the software tracking program did not always agree with the allocation of time entered into the general ledger for each funding source. We also noted that the agency periodically makes journal entries to revise the allocation of payroll charges on the general ledger. Support for those journal entries did not always provide for a reconciliation of the allocation of time originally entered into the general ledger to the actual allocation of time as entered into the software program.

Recommendation: We recommend that the salaries charged to the general ledger to the various programs be reconciled periodically to the actual time worked as entered into the software tracking program.

Current Status: Improvement noted.

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana
Schedule of Findings and Questioned Costs
December 31, 2010

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Legal Services of North Louisiana, Inc.
2. No significant deficiencies are reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of Legal Services of North Louisiana, Inc. were disclosed during the audit.
4. No significant deficiencies are reported in the Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditor's report on compliance for the major federal award program for Legal Services of North Louisiana, Inc. expresses a qualified opinion.
6. Findings relative to the major federal award program for Legal Services of North Louisiana, Inc. are reported in Part C. of this Schedule.
7. The program tested as a major program was the Legal Service Corporation program CFDA #09.619061.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Legal Services of North Louisiana, Inc. does not qualify as a low-risk auditee.

B. Findings – Financial Statements Audit: None.

C. Findings and Questioned Costs – Major Federal Award Programs Audit

LEGAL SERVICES CORPORATION – CFDA # 09.619061

2010-C1 FINDING

Finding: During our audit, we noted that Legal Services of North Louisiana, Inc. had not conducted a physical inventory within the preceding two years.

Criteria: Legal Services Corporation Accounting Guide for LSC Recipients states that, for property control purposes, a physical inventory should be taken and the results reconciled with the property records at least once every two years.

Effect: Legal Services of North Louisiana, Inc. is not in compliance with the requirements of Legal Services Corporation pertaining to its fixed asset inventory, as required by the Accounting Guide.

(Continued)

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana
Schedule of Findings and Questioned Costs
December 31, 2010
(Continued)

Recommendation: We recommend that Legal Services of North Louisiana, Inc., conduct a physical inventory and reconcile the results with property records at least once every two years, as required by Legal Services Corporation regulations.

Management Response: Effective 2011, Legal Services of North Louisiana, Inc. will conduct a physical inventory and reconcile the results with property records at least once every two years, as required by Legal Services Corporation regulations.

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana
Schedule of Prior Audit Findings For Louisiana Legislative Auditor
December 31, 2010

There was one significant deficiency for the prior year audit period ended December 31, 2009, as follows:

2009-B1 SIGNIFICANT DEFICIENCY

Statement of Condition: During our audit, we noted that most of the agency's employees enter their time worked into a software program by project / funding source. For transactions selected for testing, the allocation of time to the various projects / funding sources entered into the software tracking program did not always agree with the allocation of time entered into the general ledger for each funding source. We also noted that the agency periodically makes journal entries to revise the allocation of payroll charges on the general ledger. Support for those journal entries did not always provide for a reconciliation of the allocation of time originally entered into the general ledger to the actual allocation of time as entered into the software program.

Recommendation: We recommend that the salaries charged to the general ledger to the various programs be reconciled periodically to the actual time worked as entered into the software tracking program.

Current Status: Improvement noted. No finding in current year audit.

There were no management letter comments for the prior audit year ended December 31, 2009.

Schedule of Current Audit Findings For Louisiana Legislative Auditor
December 31, 2010

There is one finding for the current year audit period ended December 31, 2010, as described in the accompanying schedule of findings and questioned costs as item 2010-C1.